

SB 216  
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Jim Doyle  
Governor

WISCONSIN DEPARTMENT OF  
REGULATION & LICENSING

Celia M. Jackson  
Secretary



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MEMORANDUM

**DATE:** 5-19-09  
**TO:** Representative Hilgenberg & Senator Wirsch  
**CC:** Barbara Worchester & Lisa Lundquist  
**FROM:** Hector Colon, Executive Assistant/Legislative Liaison  
**RE:** Professional Employer Organization Legislation

Last session, the Professional Employer Organization (PEO) industry set out to pass legislation that would regulate PEO's in Wisconsin (AB 760). The bill passed overwhelmingly in both houses and was signed by the Governor. The law also requires the Department of Regulation and Licensing (DRL) to promulgate rules regulating the registration of PEO's. After a review of the law, we noticed some language that was going to cause some logistical problems at the Department and have requested changes to the statute. The PEO industry has agreed to all of the changes we are looking for.

We need the following statutory changes by July 1st in order to avoid the logistical problems:

1. The Department proposes to remove the reference to the 180-day time period at Wis. Stat. § 461.02 (4) and to include a specific renewal date (July 31) so that it is more consistent with the renewal timelines established by the Department and its attached Boards.

2. Under Wis. Stat. § 461.02 (4), a professional employer organization or a professional employer group may apply for an extension of time within which to renew a registration, by providing with the application for renewal, a letter from the certified public accountant who is auditing the registrant's financial statement stating the reasons for the delay and the anticipated completion date of the audit. The Department proposes that the statutes be revised to state that the extension of time would apply only to the filing of financial statements, not to the renewal of the registration. This revision would be consistent with the renewal timelines established by the Department and its attached Boards.

3. The DRL is supportive of addressing the definition of PEO with the following language: "No person may operate as a professional employer organization, advertise that the person is a professional employer organization, or otherwise hold itself out as a professional employer organization unless the person first registers with the department as provided in this section."

4. In addition to these changes the Department has also suggested that section 461.02 define that the use of titles "professional employer organization and professional employer group" by unregistered persons is prohibited. No person may operate as a professional employer group unless the person is registered.



Before the Senate Committee on Small Business, Emergency Preparedness, Technical  
Colleges, and Consumer Protection

Senate Bill 216

Adam Peer, Assistant Director of State Government Affairs  
National Association of Professional Employer Organizations  
May 27, 2009

Mr. Chairman and Members,

My name is Adam Peer and I am representing the National Association of Professional Employer Organizations (NAPEO). On behalf of our entire membership, but specifically our Wisconsin-based members, I am here this today to testify in support of Senate Bill 216, a measure that will improve Chapter 461, Professional Employer Organizations.

*NAPEO especially wants to thank Senator Wirth, Representative Hilgenberg, Secretary Jackson and their respective staff for their hard work on this legislation.*

What is a professional employer organization?

A professional employer organization (PEO) is a business that partners with an existing small business to manage human resources, that can include employee benefits including healthcare, workers' compensation, Section 125 plans, retirement services and other critical benefits so their small business clients can focus on their core competencies to maintain and grow their business. The average PEO client is a small business with an average of 5 to 20 employees. By forming an employment relationship with these small businesses and their employees, PEOs are able to offer enhanced access to employee benefits that makes a small business of 10 feel like they are part of a company of 10,000. This allows small businesses to attract and retain a higher quality workforce.

Chapter 189, Professional Employer Organizations (2007 Act 189)

Last session, NAPEO supported Act 189 that created the basic statutory framework for PEOs in Wisconsin. The act also created important minimum financial standards, required financial audits by independent auditors, and annual registration with the Department of Regulation and Licensing. The registration and standards portions of the act become effective July 1, 2009.

Senate Bill 216, Improvements to Chapter 189

The department identified several administrative issues to improve the effective administration of the new act. Senate Bill 189 is the result of the collaboration among the department, legislators, and NAPEO. We believe that the changes in Senate Bill 216 improve the act and are in keeping with the original intent of the act.

Again, I urge your support of Senate Bill 216.

**Written Comments  
To  
Senate Committee on Small Business  
On behalf Of  
Administaff, Inc.  
Senate Bill 216**

I would like to thank you for allowing Administaff the opportunity to comment on Senate Bill 216. Administaff is a Professional Employer Organization and helps small businesses with administrative tasks such as payroll, filings, and group health insurance to name a few.

Last session, a bill was signed into law that required PEO's to register with the Department of Licensing and Regulation (DRL). Administaff supported that consumer protection bill. Late last year, we received word from DRL that they needed changes to the newly created PEO Registration law in order to effectively and properly regulate PEO's.

Senate Bill 216 provides those changes that DRL has requested and Administaff fully supports these additional changes to the PEO law.

We urge you to support Senate Bill 216.

Please don't hesitate to contact us if you have any questions at 608-242-8878

*On behalf of Administaff*  
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